

# Comprehensive Annual Financial Report

For the year ended December 31, 2005

### Comprehensive Annual Financial Report

Year Ended December 31, 2005

### Mayor

Dan Garrity

### **City Commission**

Jeff Caudle

Vice-Mayor

Larry Purcell

Commissioner

Marianne Estes

Commissioner

Sandra Dunbar

Commissioner

City Manager

Kelly A. DeMeritt

Prepared by

Finance Department Sheldon Hamilton, Director

### COMPREHENSIVE ANNUAL FINANCIAL REPORT

### Year Ended December 31, 2005

### TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION:	
Letter of Transmittal	1 - 4
GFOA Certificate of Achievement	5
Organization Chart	6
List of Elected and Appointed Officials	7
FINANCIAL SECTION:	
Independent Auditors' Report	8 - 9
Management's Discussion and Analysis	10 - 20
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	21
Statement of Activities	22
Fund Financial Statements:	
Balance Sheet – Governmental Funds	23
Reconciliation of the Balance Sheet of the Governmental Funds to the	
Statement of Net Assets	24
Statement of Revenues, Expenditures and Changes in Fund Balances -	
Governmental Funds	25
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances of the Governmental Funds to the Statement of Activities	26
Statement of Net Assets – Proprietary Funds	27
Statement of Revenues, Expenses and Changes in Fund Net Assets—	
Proprietary Funds	28
Statement of Cash Flows – Proprietary Funds	29 - 30
Statement of Fiduciary Net Assets – Fiduciary Funds	31
Notes to Basic Financial Statements	32 - 61

### COMPREHENSIVE ANNUAL FINANCIAL REPORT

### Year Ended December 31, 2005

# TABLE OF CONTENTS (Continued)

	<u>Page</u>
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund	
Balances—Budget and Actual—General Fund	62 - 67
Notes to Required Supplementary Information	68
Other Supplementary Information:	
Combining Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	69 - 70
Combining Statement of Revenues, Expenditures and Changes in Fund	
Balances – Nonmajor Governmental Funds	71 - 72
Schedule of Revenues, Expenditures and Changes in Fund Balances –	
Budget and Actual:	
Municipal Equipment Reserve Fund	73
Watershed Maintenance Fund	74
Special Alcohol Fund	75
Special Parks and Recreation Fund	76
Motor Fuel Fund	77
Debt Service Fund	78
Combining Balance Sheet – All Agency Funds	79
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	80 - 81
Balance Sheet – Discretely Presented Component Unit	82
Schedule of Revenues, Expenditures and Changes in Fund Balances	
Discretely Presented Component Unit	83
Capital Assets Used in the Operation of Governmental Funds:	
Schedule by Source	84
Schedule by Function and Activity	85
Schedule of Changes by Function and Activity	86

### COMPREHENSIVE ANNUAL FINANCIAL REPORT

### Year Ended December 31, 2005

# TABLE OF CONTENTS (Continued)

$\cdot$	Page
STATISTICAL SECTION (UNAUDITED):	
General Governmental Expenditures by Function	87
General Governmental Revenues by Source	88
Property Tax Levies and Collections	89
Assessed and Estimated Actual Value of Taxable Property	90
Mill Levy Rates - Direct and Overlapping Governments	91
Special Assessments and Collections	92
Computation of Legal Debt Margin	93
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net	
General Obligation Bonded Debt Per Capita	94
Ratio of Annual Debt Service Expenditures for General Obligation Bonded	
Debt to Total General Governmental Expenditures	95
Computation of Direct and Estimated Overlapping Bonded Debt	96
Demographic Statistics	97
Property Value, Construction and Bank Deposits	98
Principal Taxpayers	99
Miscellaneous Statistics	100
The Water System	101 - 10
The Sewer System	103 - 10
Report on Internal Control Over Financial Reporting and on Compliance and	
Other Matters Based on an Audit of Financial Statements Performed in	
Accordance with Government Auditing Standards	105

# Introductory Section



# City of Atchison, Kansas

April 22, 2006

The Honorable Mayor, Members of the City Commission, and Citizens of the City of Atchison:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Atchison (City) for the fiscal year ended December 31, 2005. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations for the various activities of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The CAFR is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditor's Report.

State law requires that every general-purpose local government publish a complete set of audited financial statements after the close of the fiscal year. This report is published to fulfill that requirement for the fiscal year ended December 31, 2005. Berberich Trahan & Co. P.A., has issued an unqualified opinion on the City's financial statements for the year ended December 31, 2005.

### Profile of the Government

The City is the primary unit of government and was incorporated in 1858. It is located in the northeastern part of the state approximately 35 miles from the Kansas City International Airport. It currently occupies 6.6 square miles and serves a population of 10,200. The City is empowered to levy a property tax on both real and personal property within its boundaries and to extend the city limits by annexation, which it has done from time to time.

The City operates under the commission-manager form of government. Policymaking and legislative authority are vested in a governing commission consisting of the mayor and four other members, all elected on a non-partisan basis. The Commission appoints the city manager, who in turn appoints the heads of the various departments. Three of the commissioners are elected every two years. The two with the largest number of votes serve four-year terms, and the third serves a two-year term. The mayor is elected by the Commission and serves a one-year term.

The City provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; and recreational and cultural activities. Sanitation, water and wastewater services are also provided and are included as an integral part of the City's financial statements.

The City is also financially accountable for a legally separate library, which is reported separately within the City's financial statements. Additional information on this entity can be found in Note 1 of the financial statements.

### Local economy

Major industries located within the City's boundaries, or in close proximity, include manufacturers of food and mill ingredients, distillery products, steel pipelines, concrete poles, steel castings, dust and wet mops, electrical wiring harnesses and rail anchors. Other significant economic presences include a Kansas State juvenile justice facility, a headquarters of a publicly traded company, a full-service hospital, a four-year accredited college and a vocational school.

Because of its location in a region with a strong manufacturing base, employment is relatively stable. During the past ten years, the unemployment rate ranged from 6.4 percent in 1995 to 5.6 percent in 2005. The high unemployment rate for the decade was 7.9% in 1996 and the low was 3.8 percent in 2000. Unemployment is expected to decrease slightly in the near term due to the announcement of \$10,000,000 of new Industrial Revenue Bonds. Five million dollars is for expansion of manufacturing capacity and five million dollars is for construction of new administrative offices and research facilities.

Specialty retail shops and a healthy tourism industry have contributed to the local economy in the past ten years. City sales taxes have risen 58 percent from \$972,088 in 1996 to \$1,537,858 in 2005. In October 2004, the City began reserving approximately \$550,000 a year of sales tax revenues to fund future improvements to the wastewater system.

### Relevant financial policies

Budgeting -The Commission is required by Statute to adopt a final budget by August 15<sup>th</sup> of each year. The annual budget is the foundation for the City's financial planning and control. The budget is prepared by fund, and by department (e.g., police). The City's budget is prepared on a modified accrual basis further modified by an encumbrance system of accounting as required by applicable state statutes. The city manager presents recommendations for the budget to the Mayor and Commission members for their review. A series of public meetings are held by commissioners to review alternative spending proposals. After soliciting public input, the Commission adopts the budget. The budget is controlled through an accounting system to ensure effective fiscal management and accountability.

Capital Spending - The City replaces its equipment according to established policy and maintains a five-year spending plan for updating its equipment. The City also maintains a five-year capital improvement (CIP) plan. Both plans are updated annually and approved by the governing body. Equipment replacements are funded by transfers from other funds, primarily the water and general fund, in addition to long-term leases for major equipment purchases. Capital improvements are funded through transfers from other funds, intergovernmental grants and revenues and general obligation bonds. Generally, the City issues bonds every other year.

7 11

**Debt Service** - The City's debt service is funded by property taxes and includes a 12-mill levy limit established by Ordinance. Debt management policies established by the Commission include a general obligation bond per capita limit of \$500, an overall debt limit of 10 percent of assessed value, and a debt-service limit of 10 percent of general fund expenses. The Commission reviews debt policy limits annually during the budget process.

**Internal Controls -** Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Investing – The City determines idle cash available for investing for selected time frames, and solicits bids from local banks for certificates of deposit. Local banks are required to match the rate established by the State Municipal Investment Pool, or the money is invested in the state pool.

Risk Management – The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All potential claims, and/or liabilities are reported immediately when it becomes evident that a loss has occurred or a claim may be made.

The City has addressed the potential risk by purchasing various commercial insurance policies for certain insurable causes of loss. These policies cover liability, employee dishonesty, public official's liability, property damage to buildings, contents and other personal property. Losses due to floods, earthquakes and terrorism have been excluded. The City established an insurance reserve fund in 2005 in order to fund the deductible portion of losses.

**Spending Limits** - The state limits annual spending in each fund to the amount budgeted. Prior to spending an amount in excess of the budgeted amount, the City must hold a public hearing with notice published a minimum of 10 days in advance.

### Major initiatives

The City continues to enhance its identity as an historic city by linking the award winning Riverfront Park to the downtown mall. The City received a 55% cost sharing grant from the State of Kansas to restore the mall and the underground utilities. The design-phase is in progress and the \$2,900,000 construction phase will be completed in 2007.

The City continues to upgrade its airport to FAA compliance utilizing cost-sharing FAA grants. The City spent \$115,000 on runway enhancements in 2005 with 95 percent of the funding provided by the FAA. The environmental assessment portion of the airport layout plan will be completed in 2006 with recommendations on future runways. A new Automated Weather Observation System will be installed in 2006.

The historic Amelia Earhart Bridge over the Missouri River is in need of restoration or replacement. A draft environmental statement has been prepared and is available for review. Evaluation of

alternatives is expected to be completed and construction to begin by the fall of 2008. The States of Kansas and Missouri will provide funding estimated at \$60,000,000.

### Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2004. This was the ninth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

Sheldon I. Hamilton

Sheldon L. Hamilton

Finance Director

Kelly A. DeMeritt City Manager Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

## City of Atchison, Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

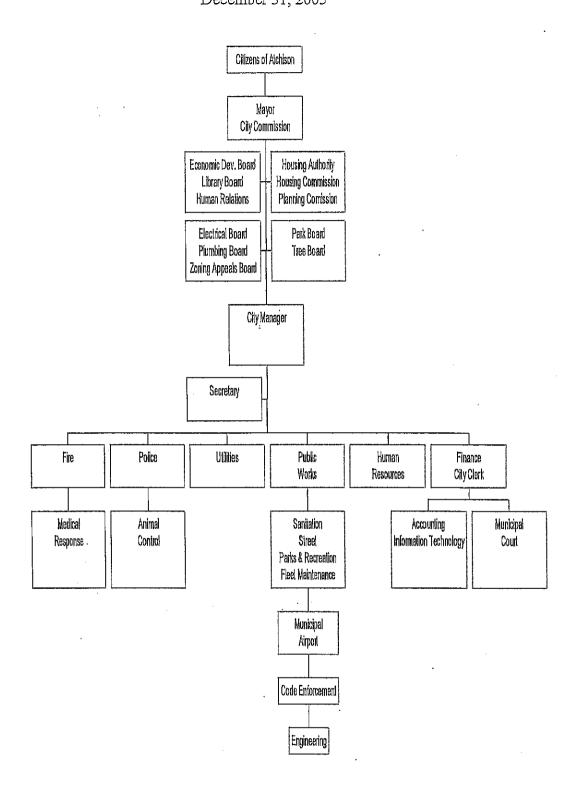
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President

Carlo Eperge

Executive Director

### ORGANIZATION CHART CITY OF ATCHISON, KANSAS December 31, 2005



### List of Elected and Appointed Officials

December 31, 2005

### **ELECTED OFFICIALS**

Dan Garrity Mayor Term Expires April 2007

Jeff Caudle

Vice-Mayor Term Expires April 2007

Marianne Estes

Commissioner
Term Expires April 2009

Larry Purcell

Commissioner
Term Expires April 2007

Sandra Dunbar

Commissioner Term Expires April 2009

### APPOINTED OFFICIALS

Kelly A. DeMeritt

City Manager

Sheldon Hamilton

Director of Finance/City Clerk

Michael E. McDermed

Chief/Director of Fire Services

Michael A. Wilson

Chief/Director of Police Services

Mike Mathews

Director of Utilities

Roger Denton

Director of Public Works

J. David Farris

City Attorney

# Financial Section

Certified Public Accountants

3630 SW Burlingame Road Topeka, KS 66611-2050 Telephone 785 234 3427 Toll Free 800 530 5526 Facsimile 785 233 1768 www.cpakansas.com

### INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Commission City of Atchison, Kansas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Atchison, Kansas (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and applicable provisions of the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Atchison, Kansas, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated March 10, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 10 through 20 and the Required Supplementary Information on pages 62 through 67 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor fund financial statements and schedules, capital assets schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and schedules and the capital assets schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Berberich Trahan & Co., P.A.

March 10, 2006

### Management's Discussion and Analysis

This section of the report contains an overview and an analysis of the City of Atchison's financial statements for the fiscal year ended December 31, 2005. This information and the information contained in the transmittal letter are intended to provide the reader of the financial statements with a well-rounded picture of the City's financial condition.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$15,065,517. Of this amount, \$2,192,564 is unrestricted.
- Total net assets increased by \$2,343,297, an increase of 18.4 percent.
- Total debt decreased by \$1,900,715, or 9.7 percent.
- Governmental activities net assets increased by \$1,310,509 an increase of 21.1 percent.
- The unreserved fund balance in the general fund was \$625,489, or 12 percent of the general fund expenditures.
- Total sales tax revenue increased by \$114,412, or 4.9 percent over 2004. Franchise fees increased by \$212,589 or 33.7 percent over 2004. Approximately \$92,000 was related to an adjustment for previous years.
- Property tax revenue increased by \$28,438 to \$3,442,713, or .83 percent. Of this, \$355,303 was for the component unit.
- Water/wastewater utility revenues totaled \$4,261,046, a decline of \$290,495, or 6.4 percent. Expenses declined by \$198,730 or 4.9 percent.

### Overview of the Financial Statements

The City's basic financial statements include the government-wide financial statements and the fund financial statements. The notes to the financial statements follow the basic financial statements and are essential for understanding the financial statements. The report also contains additional supplementary information to assist the reader.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Atchison's finances, in a manner similar to private-sector businesses.

The Statement of Net Assets presents information for the assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator over time of whether the financial position of the City of Atchison is improving or deteriorating.

The Statement of Activities shows the revenues and expenses related to specific programs and how the government's net assets changed during the fiscal year. This statement is presented on the accrual basis so that transactions are reflected as they occur, and not as cash is impacted.

Both statements distinguish functions of the City that are supported by taxes and intergovernmental revenues from functions that recover their costs through user fees and charges. The governmental activities include general government, public safety, public works, parks and recreation and economic development. The business-type activities include the water/wastewater utility and refuse operations. Business activities are operations that are intended to recover most, if not all, of their costs through user fees and charges.

The government-wide financial statements include a city library as a discretely presented component unit. See note 1 to the financial statements for a more complete description of the relationship between the library and the City.

### Fund Financial Statements

A fund is a fiscal entity with accounts for recording balances of resources, liabilities, equity, revenues and expenses. Funds are segregated for specific activities or objectives, in accordance with regulations, restrictions or limitations. City funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental fund financial statements are prepared on the modified accrual basis. Under this approach, revenues are recognized when measurable and available, and expenditures are recognized when the related fund liabilities are incurred with the exception of capital outlays and long-term debt and other similar items that are recorded when due. Governmental funds are used to account for essentially the same functions included in the government-wide financial statements, but the focus is on the short term financial condition rather than the City as a whole. The reconciliation at the end of the fund financial statements explains the relationship between governmental fund financial statements and government-wide financial statements.

The City maintains one type of proprietary fund, enterprise funds. The City uses enterprise funds to account for both its water/wastewater utility and refuse operations. These funds are prepared on the accrual basis of accounting and present the same information included in the government-wide financial statements in greater detail.

Fiduciary funds are used by the City to account for resources held for the benefit of third parties. Because the resources of these funds are not available for the City's operations, they are not presented in the government-wide financial statements. The Fiduciary funds include the Lewis and Clark, Amelia Earhart Festival, Santa Fe Depot Enhancement, Veterans Memorial Park, Jackson Park Revitalization, Fire Insurance Proceeds and International Forest of Friendship funds. A combining statement can be found in the supplementary information following the notes to the financial statements.

### Notes to the Financial Statements

The notes are an integral part of the financial statements and provide essential information for a full understanding of the data provided in those statements.

### Other information

In addition to the basic financial statements and accompanying notes, this report also contain required supplementary information concerning the City's general fund budgeted and actual expenditures. The combining statements for nonmajor funds are included after the required supplementary information. The Statistical section of the report includes historical financial information and other data about the City.

### Analysis of the Government-wide Statements

### Net Assets

Combined net assets of the City at December 31 were:

	Governmental Activities		Business-Ty	pe Activities	Total		
	2005	2004	2005	2004	2005	2004	
Current and other assets	\$ 4,693,410	\$ 5,099,917	\$ 2,352,966	\$ 1,668,052	\$ 7,046,376	\$ 6,767,969	
Capital assets	9,313,085	8,944,583	16,462,577	16,666,904	25,775,662	25,611,487	
Total assets	14,006,495	14,044,500	18,815,543	18,334,956	32,822,038	32,379,456	
Long-term liabilities	3,558,364	4,164,379	10,772,117	11,364,671	14,330,481	15,529,050	
Other liabilities	2,920,986	3,663,485	505,054	464,701	3,426,040	4,128,186	
Total liabilities	6,479,350	7,827,864	11,277,171	11,829,372	17,756,521	19,657,236	
Net assets:							
Invested in capital assets	6,413,085	5,439,583	5,486,214	5,311,969	11,899,299	10,751,552	
Restricted for:							
Debt service	247,824	116,255	-	-	247,824	116,255	
Other purposes	725,830	447,218	<b>-</b>	-	725,830	447,218	
Unrestricted	140,406	213,580	2,052,158	1,193,615	2,192,564	1,407,195	
Total net assets	\$ 7,527,145	\$ 6,216,636	\$ 7,538,372	\$ 6,505,584	\$ 15,065,517	\$ 12,722,220	

### Governmental Activities

The City's governmental activities ended 2005 with positive net assets and improved overall financial position. Total net assets increased by \$1,310,509 or 21.1 percent over 2004. Further explanation is presented below.

- Total Assets This category decreased by \$38,005.
- <u>Total Liabilities</u> This category decreased by \$1,348,514. This represents a 17.2 percent decrease and was the result of not issuing new debt and retiring \$630,000 of temporary notes.
- Total Net Assets See above comments for total assets and total liabilities.

### Business-type activities

The City's business-type activities also ended 2005 with positive net assets and improved overall financial position. Total net assets increased by \$1,032,788 or 15.9 percent over 2004. Further explanation of the changes is presented below.

- Total Assets This category increased by \$480,587, which represents a 2.6 percent increase.
- <u>Total Liabilities</u> This category decreased by \$552,201. This represents a 4.7 percent decrease and was the result of not issuing new debt and retiring long term debt according to schedule.
- Total Net Assets See above comments for total assets and total liabilities.

### Statement of Activities

Changes in net assets of the City for the years ended December 31 were:

	Governmen	ital A	Activities	Business-Typ		/pe A	ctivities		To	otal	
	 2005		2004		2005		2004		2005		2004
Revenues:		_									
Program revenues:											
Charges for services	\$ 357,257	\$	380,180	\$	4,635,269	\$	4,923,860	\$	4,992,526	\$	5,304,040
Operating grants and contributions	895,801		600,616		-		-		895,801		600,616
Capital grants and contributions	387,167		2,348,082		-		-		387,167		2,348,082
General revenues:											
Property taxes	3,087,410		3,085,037		-				3,087,410		3,085,037
Other taxes	2,458,343		2,576,011		924,453		-		3,382,796		2,576,011
Unrestricted investment earnings	70,986		36,065		41,178		13,627		112,164		49,692
Other	40,174		4,428		-		-		40,174		4,429
Total revenues	 7,297,138	_	9,030,420		5,600,900	_	4,937,487	_	12,898,038	_	13,967,907
Expenses:											
General government	1,880,963		1,702,564		+		-		1,880,963		1,702,564
Public safety	2,706,364		2,674,013		-		-		2,706,364		2,674,013
Public works	1,364,888		1,636,565		-		-		1,364,888		1,636,565
Parks and recreation	378,189		386,230		-		-		378,189		386,230
Economic development	67,500		67,500		-		-		67,500		67,500
Interest on long-term debt	142,142		166,994		-		-		142,142		166,994
Water/wastewater	-		-		3,870,015		4,068,745		3,870,015		4,068,745
Refuse	-		-		309,234		312,636		309,234		312,636
Total expenses	 6,540,046	. –	6,633,866	_	4,179,249	_	4,381,381	_	10,719,295	-	11,015,247
Increase in net assets before transfers	757,092		2,396,554		1,421,651		556,106		2,178,743		2,952,660
Transfers	 552,724	_	143,086		(552,724)	_	(143,086)		-		-
Change in net assets	1,309,816		2,539,640		868,927		413,020		2,178,743		2,952,660
Net assets, beginning (restated in 2004)	 6,217,329		3,676,996		6,669,445	_	6,092,564		12,886,774		9,769,560
Net assets, ending	\$ 7,527,145	\$	6,216,636	\$	7,538,372	\$	6,505,584	\$	15,065,517	\$	12,722,220

### Governmental Activities

The City's governmental activities ended 2005 with positive net results. The increase in net assets was \$1,309,816. Further explanation of the changes is presented below.

- Charges for Services Charges for services decreased \$22,923 or 6.0 percent from 2004.
- <u>Grants</u> Operating grants and contributions increased by \$295,185 while capital grants and contributions decreased by \$1,960,915. This reduction was due to the completion of the Riverfront Park in 2004.
- Other Taxes Other taxes decreased by \$117,668 or 4.6 percent due to the recording of the city's share of county sales taxes in business type activities in 2005. A portion of this is being restricted for wastewater system repairs in business-type activities.
- <u>Property Taxes</u> Property tax revenue increased \$2,373. Information is presented below about mill levies and assessed valuations.

Mill	_evy Rates 2005 and 2004			
	to	04 Levy support 5 budget	to	03 Levy support 4 budget
General fund Debt service Library	\$ 	38.828 11.439 6.127	\$	39.684 12.120 5.766
	\$	56.394	\$	57.570

The City's assessed valuation increased by 3.9 percent as shown below. The majority of the growth is from reappraisal of existing real estate. Atchison County has a neighborhood revitalization program whereby new residential housing is exempted on a declining scale over a ten-year period.

Assessed Valuation 2005 and 2004							
	2004 Valuation to support 2005 budget	2003 Valuation to support 2004 budget	Increase/ (Decrease) Over Prior Year	% Change			
Real estate	\$ 44,780,649	\$ 40,364,207	\$ 4,416,442	10.94%			
Personal	8,726,640	9,001,867	(275,227)	-3.06%			
Utilities	5,054,581	4,926,189	128,392	2.61%			
Neighborhood revitalization	(6,316,575)	(3,997,304)	(2,319,271)	58.02%			
	\$ 52,245,295	\$ 50,294,959	\$ 1,950,336	3.88%			

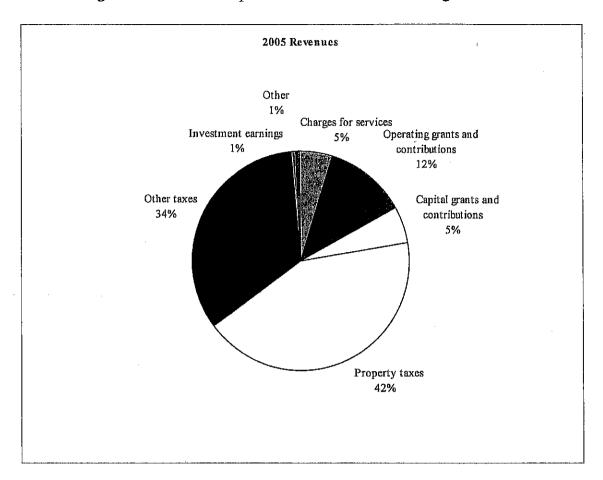
• <u>General Government Expenses</u> – This expense category did not change materially from the previous year. Expenses were down \$93,820.

### Business-type Activities

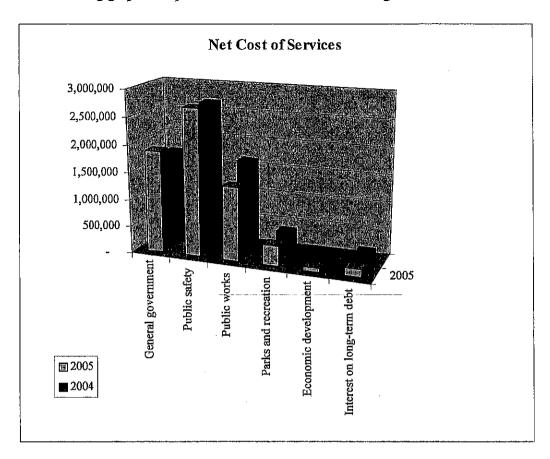
The following categories experienced significant variations between 2005 and 2004.

- Revenues The total revenues increased by \$663,413, or 13.4 percent. While charges for services declined by \$288,591 or 5.9 percent due primarily to a decline in water usage by the largest water utility customer, other taxes increased by \$924,453 due to a change in policy by the City to retain a portion of the City's share of County sales taxes wastewater system enhancements.
- Expenses Operating expenses decreased by \$61,153 while interest expenses declined by \$140,979.
- Change in Net Assets Net assets increased by \$868,927 due primarily to the change in recording sales taxes as discussed in revenues above.

The following chart shows the composition of 2005 revenues from governmental activities.



The following graph compares the net cost of services for governmental activities in 2005 and 2004.



The cost of governmental activities net of funding from users benefiting from the services or other organizations through grants and contributions for 2005 and 2004 was \$4,899,821 and \$3,304,988, respectively.

### Analysis of the Fund Financial Statements

	Fund Balances at December 31			
•		2005		2004
Governmental General Debt service Other Total	\$ 	666,097 248,738 858,503 1,773,338	\$	630,634 123,846 610,349 1,364,829
<u>Proprietary</u> Water/wastewater Refuse Total	- -\$-	7,351,222 187,150 7,538,372	\$	6,461,120 208,325 6,669,445

### Financial Analysis of the Government's Funds

- Governmental Funds These funds experienced a 29.9 percent increase in fund balances over 2004. The primary reasons for the increase were due to sales tax and franchise fee receipts in excess of budgeted amounts and unspent contingency budget.
- Enterprise Funds These funds experienced a 13.0 percent increase in fund balances over 2004. Enterprise fund information is included in the discussion of the Government-wide financial statements.

### General Fund Budgetary Highlights

The City did not amend the 2005 General Fund Budget.

The following revenue and expenditure categories experienced significant differences between the final budget amount and the actual amount.

- Sales Tax Tourism and local economic activity exceeded expectations causing sales tax revenue to be higher than expected.
- Franchise Fees Franchise fees increased due to an adjustment for prior period franchise fees. This adjustment accounted for an unbudgeted increase of approximately \$150,000. In addition, franchise fees on natural gas exceeded expectations due to the increased cost of gas.
- Contingency Expenses The contingency account is set aside for unexpected expenditures. The
  City Commission approves all expenditures in advance. The majority of these funds were not
  expended in 2005.

### Capital Assets and Debt Administration

### Capital Assets

The City's total investment in capital assets for its governmental and business-type activities as of December 31, 2005, was \$25,775,662 (net of accumulated depreciation). This is less than a 1 percent increase over 2004. A breakdown of assets by category is presented below.

	Governmen	Governmental Activities		/pe Activities	Total		
	2005	2004	2005	2004	2005	2004	
Land	\$ 1,911,647	\$ 1,992,180	\$ 101,537	\$ 101,537	\$ 2,013,184	\$ 2,093,717	
Construction in progress	48,479	1,039	192,677	281,673	241,156	282,712	
Buildings and systems	1,149,848	1,194,236	15,627,328	15,949,478	16,777,176	17,143,714	
Improvements	4,235,964	4,137,076		-	4,235,964	4,137,076	
Machinery and equipment	862,304	759,838	541,035	334,216	1,403,339	1,094,054	
Infrastructure	1,104,843	860,214			1,104,843	860,214	
	\$ 9,313,085	\$ 8,944,583	\$ 16,462,577	\$ 16,666,904	\$ 25,775,662	\$ 25,611,487	

Major additions to capital assets during the year included:

Government activities equipment	\$320,588
Government activities improvements and infrastructure	\$426,850
•	·
Business type activities equipment	\$309,551
Business type buildings and systems	\$298,059

Additional information about the City's capital assets can be found in Notes 1 and 6 in notes to the financial statements.

### Debt Administration

The outstanding general obligation bonds at December 31, 2005 totaled \$2,900,000 and the outstanding bonds supported by revenues of business activities are \$10,600,000 for a total outstanding debt of \$13,500,000. This represents a 9.3 percent reduction from the 2004 balance. The City received an "A3" credit rating from Moody's Investor Services on its most recent bond issuances.

The ratio of general obligation bonded debt to assessed valuation and the amount of bonded debt per capita provide useful indicators of the City's debt position to citizens, elected officials, City management and investors. This data for the City at the end of 2005 is presented below.

	Net General Obligation Debt	Ratio of Debt to Assessed Value	Debt Per Capita		
005	\$ 2,651,262	4.82%	\$	260.18	

State statutes limit net general obligation debt to 30 percent of assessed value. At December 31, 2005 assessed valuation was \$54,995,420 and net bonded debt was \$2,651,262. The City's debt margin totaled \$13,847,364.

Additional information regarding the City's debt can be found in Note 10 in the notes to the financial statements.

### **Requests for Information**

This financial report is designed to provide a general overview of the City finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 515 Kansas Avenue, Atchison, Kansas 66002.

Basic Financial Statements

### STATEMENT OF NET ASSETS

### December 31, 2005

	F	nt	Component Unit	
	Governmental	Business-type		Public
	Activities	Activities	Total	Library
Assets:				
Cash and cash equivalents	\$ 1,364,754	\$ 1,284,253	\$ 2,649,007	\$ 192,926
Investments	13,000	-	13,000	100,315
Receivables, net of allowance for uncollectibles:				
Taxes	2,913,838	159,061	3,072,899	329,032
Special assessments	41,101	₩	41,101	-
Intergovernmental	65,701	-	65,701	-
Accounts	23,969	909,652	933,621	-
Loans	271,047	-	271,047	-
Due from primary government	-	-	<b>-</b>	39,248
Capital assets, net of accumulated depreciation:				•
Land	1,911,647	101,537	2,013,184	8,995
Construction in progress	48,479	192,677	241,156	12,300
Buildings and systems	1,149,848	15,627,328	16,777,176	87,796
Improvements	4,235,964	<b>-</b>	4,235,964	-
Machinery and equipment	862,304	541,035	1,403,339	13,783
Infrastructure	1,104,843	-	1,104,843	
Total assets	14,006,495	18,815,543	32,822,038	784,395
Liabilities:	•			
Accounts and contracts payable	125,952	94,236	210,188	25,544
Accrued liabilities	122,520	10,234	132,754	-
Accrued interest payable	41,192	150,584	191,776	-
Due to component unit	39,248	•	39,248	-
Temporary notes payable	35,000	260,000	295,000	•
Unearned revenue	2,557,074	-	2,557,074	329,032
Noncurrent liabilities:				
Due within one year	661,366	870,748	1,532,114	-
Due in more than one year	2,896,998	9,901,369	12,798,367	-
Total liabilities	6,479,350	11,277,171	17,756,521	354,576
Net assets:		·		•
Invested in capital assets, net of related debt	6,413,085	5,486,214	11,899,299	122,874
Restricted for:	0,413,063	2,400,214	11,099,299	122,074
Debt service	247,824		247,824	
	725,830	-	725,830	<u>-</u>
Other purposes Unrestricted	140,406	2,052,158	2,192,564	306,945
Total net assets	\$ 7,527,145	\$ 7,538,372	\$15,065,517	\$ 429,819
1 0101 1101 000010	ψ 1,521,173	· · · · · · · · · · · · · · · · · · ·	Ψ10,000,017	Ψ (μ),01)

CITY OF ATCHISON, KANSAS STATEMENT OF ACTIVITIES Year Ended December 31, 2005

	·			i					Net (Expense Changes ir	Net (Expense) Revenue and Changes in Net Assets		
				Progra	Program Revenues	-			Dimension Gardenment		රි	Component
		C	טויים ביים	J 6	Operating Grants and	Ċ	Capital Grants and	Governmental	Business-Type			Public
Functions/Programs	Expenses	,	Services .	ී වී	Contributions	رگ ر	Contributions	Activities	Activities	Total		Library
Primary government:											٠	
Governmental activities:	\$ 1.880.963	69	270,178	69	364,136	64)	1	\$ (1,246,649)	, <del>(1</del>	\$ (1,246,649)	6-9	•
Public safety	• •	1	53,270		67,946		1	(2,585,148)	ı	(2,585,148)		ı
Public works	1,364,888		33,700		404,366		196,581	(730,241)		(730,241)		1
Parks and recreation	378,189		ı		59,353		1	(318,836)	r	(318,836)		ı
Economic development	67,500		109		1		190,586	123,195	t	123,195		i.
Interest on long-term debt	142,142	إ					-	(142,142)	1	(142,142)		-
Total governmental activities	6,540,046		357,257	ļ	895,801		387,167	(4,899,821)	•	(4,899,821)		
Business-type activities:									201 021	201 031		ı
Water/wastewater	3,870,015		4,251,040		1 ;			1 1	64.989	64.989		
Refuse	309,234		7 635 760		. ] .		.   '	·   1	456,020	456,020		,
Total business-type activities	4,11,47		407°CO°+									
Total primary government	\$ 10,719,295	69	4,992,526	6-5 H	895,801	↔	387,167	(4,899,821)	456,020	(4,443,801)		,
Component unit:		i										(10)
Public library	\$ 393,908	65    	16,019	۳.	40,288	6 <del>4</del>	1	1	1	•		(337,001)
	General revenues:											
	Property taxes							3,087,410		3,087,410		355,303
	Sales taxes							1,537,858	924,453	2,462,311		1
	Franchise taxes							843,255	t	843,255		1
	Guest faxes							69,139	1	66,139		• ;
	Payments in lieu of taxes	of tax	es					8,091	t	8,091		296
	Unrestricted investment earnings	estmen	t earnings					70,986	41,178	112,164		3,781
	Gain on disposal of asset	l of ass	ct					40,174	ſ	40,174		1
	Transfers							552,724	(552,724)	-		1
	Total general	revenu	Total general revenues and transfers	ţΩ				6,209,637	412,907	6,622,544		360,051
	Change in net assets	net ass	ets					918'606'1	868,927	2,178,743		22,450
	Net assets, beginning of year as previously stated	ng of y	ear as previou:	ily state	· ·			6,216,636	6,505,584	12,722,220		468,906
	Prior period adjustments	ments	,					693	163,861	15 885 777		(61,537)
	Net assets, beginning of year as restated	ng of y	ear as restated					6,217,329	6,669,445	12,886,774	6-9	429.819
	ivet assets, enoing								ľ			

### BALANCE SHEET GOVERNMENTAL FUNDS

December 31, 2005

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:	404.00	<b>A A A B A B A B B</b>	ф. <b>д</b> 14.000	Φ 1 2 C 4 7 C 4
Cash and cash equivalents	\$ 401,937	\$ 248,489	\$ 714,328	\$ 1,364,754
Investments	13,000	-	-	13,000
Receivables (net of allowance				
for uncollectibles):	1 200 500	388,515	144,733	2,913,838
Taxes	2,380,590	41,101	144,733	41,101
Special assessments	28,750	41,101	36,951	65,701
Intergovernmental Accounts	23,720	249	50,551	23,969
Loans	25,720	<i>2</i> ,⊤7	271,047	271,047
Loans			271,047	271,077
Total assets	\$ 2,847,997	\$ 678,354	\$ 1,167,059	\$ 4,693,410
Liabilities and fund balances: Liabilities;				
Accounts and contracts payable	\$ 74,014	\$ -	\$ 51,938	\$ 125,952
Accrued payroll	119,883	-	2,637	122,520
Temporary notes payable	-		35,000	35,000
Deferred revenue	1,988,003	429,616	179,733	2,597,352
Due to component unit		-	39,248	39,248
Total liabilities	2,181,900	429,616	308,556	2,920,072
Fund balances:				
Reserved for:		•		
Encumbrances	40,608	-	460,212	500,820
Revolving loan program	-	-	355,831	355,831
Unreserved, reported in:				
General fund	625,489	-	-	625,489
Debt service fund	-	248,738	-	248,738
Special revenue funds	-	-	284,476	284,476
Capital projects funds	<u> </u>		(242,016)	(242,016)
Total fund balances	666,097	248,738	858,503	1,773,338
Total liabilities and fund balances	\$ 2,847,997	\$ 678,354	\$ 1,167,059	\$ 4,693,410

# RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

### December 31, 2005

Total fund balance in governmental fund balance sheet	\$ 1,773,338
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,313,085
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	40,278
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(3,599,556)
Net assets of governmental activities	\$ 7,527,145

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

### Year Ended December 31, 2005

Revenues:		General	<b>,</b>	Debt Service	G0	Other vernmental Funds	G:	Total overnmental Funds
Taxes:								
Property	\$	2,282,076	\$	668,629	\$	136,705	\$	3,087,410
Sales		1,537,858		-		-		1,537,858
Franchise		843,255		-		٠ ـ		843,255
Guest		69,139		-		_		69,139
Payments in lieu of taxes		6,285		1,806		-		8,091
Intergovernmental		126,329		, <u>-</u>		813,395		939,724
Licenses and permits		32,916		-		· -		32,916
Charges for services		65,987				-		65,987
Fines and fees		131,661		-		. •		131,661
Special assessments		, <u>-</u>		43,891		-		43,891
Interest on investments		42,576		10,332		18,078		70,986
Other		53,207		106,100		271,052		430,359
Total revenues		5,191,289		830,758		1,239,230		7,261,277
Expenditures:								
Current:			•					
General government		1,298,550		-		316,810		1,615,360
Public works		962,689		-		138,767		1,101,456
Public safety		2,550,249		-		6,008		2,556,257
Parks and recreation		325,996		-		12,999		338,995
Economic development		67,500				· +		67,500
Debt service:								
Principal		-		638,128		-		638,128
Interest and fiscal charges		-		153,132		-		153,132
Capital outlay		-		-		1,124,832		1,124,832
Total expenditures		5,204,984	***************************************	791,260	-	1,599,416		7,595,660
Excess (deficiency) of	_							
revenues over (under)								
expenditures		(13,695)		39,498		(360,186)		(334,383)
Other financing sources (uses):								
Sale of capital assets		76,905		-		55,760		132,665
Transfers in		410,535		85,394		817,708		1,313,637
Transfers out		(438,282)		-		(265,128)		(703,410)
Total other financing sources (uses)	_	49,158		85,394		608,340	-	742,892
Net change in fund balances Fund balances, beginning of year as		35,463		124,892		248,154		408,509
previously stated		709,828		123,846		610,349		1,444,023
Prior period adjustments		(79,194)		<u>-</u>		<u>.</u>		(79,194)
Fund balances, beginning of year as restated		630,634		123,846		610,349		1,364,829
Fund balances, ending	\$	666,097	\$	248,738	\$	858,503	\$	1,773,338

See accompanying notes to basic financial statements.

# RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

### Year Ended December 31, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 408,509
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	346,118
Capital asset transfers are not recorded in the governmental funds because there has been no flow of current financial resources.	(57,503)
Revenues recorded in the statement of activities that do not provide current financial resources are not recorded in the governmental funds.	(4,313)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	638,128
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	 (21,123)
Change in net assets of governmental activities	\$ 1,309,816

# STATEMENT OF NET ASSETS PROPRIETARY FUNDS

December 31, 2005

	Major Fund Non-Major Fund Water/Wastewater Refuse			Total		
Acasta	- Wat	CIT Wasiewater		Refuse		Total
Assets: Current assets:						
Cash and cash equivalents	\$	1,240,892	\$	43,361	\$	1,284,253
Receivables (net of allowance for uncollectibles):	Ψ	1,270,092	Ψ	45,501	φ	1,207,233
Accounts		842,776		66,876		909,652
Taxes		159,061		00,070		159,061
Total current assets		2,242,729		110,237		2,352,966
Total current assets		2,242,123		110,237	—	2,332,900
Noncurrent assets:						
Capital assets:						
Land		101,537		-		101,537
Buildings and systems		27,632,819				27,632,819
Machinery and equipment		1,152,361		230,965		1,383,326
Construction in process		192,677		-		192,677
Less accumulated depreciation		(12,710,614)		(137,168)	(	12,847,782)
Total noncurrent assets		16,368,780		93,797		16,462,577
Total assets		18,611,509		204,034		18,815,543
Liabilities:						
Current liabilities:						
Accounts and contracts payable		82,560		1,676		84,236
Accrued compensated absences		3,726		734		4,460
Accrued payroll		4,199		6,035		10,234
Accrued interest payable		150,584		-		150,584
Temporary note payable		260,000		-		260,000
Capital leases payable - current		41,288		-		41,288
General obligation bonds - current		825,000				825,000
Total current liabilities		1,367,357		8,445		1,375,802
Noncurrent liabilities:						
Accrued compensated absences		42,855		8,439		51,294
Capital leases payable		124,712		· <b>-</b>		124,712
General obligation bonds payable (net of deferred amount						
on refunding)		9,725,363		-		9,725,363
Total liabilities		11,260,287		16,884		11,277,171
Net assets:						
Invested in capital assets, net of related debt		5,392,417		93,797		5,486,214
Unrestricted		1,958,805		93,353		2,052,158
Total net assets	\$	7,351,222	\$	187,150	-\$	7,538,372
Total Hot goods	<del></del>	1,401,444	Ψ	107,100	Ψ	1,000,012

See accompanying notes to basic financial statements.

# STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

### Year Ended December 31, 2005

	Major Fund Water/ Wastewater	Non-Major Fund Refuse	Total
Operating revenues:			
Charges for sales and services	\$ 4,261,046	\$ 374,223	\$ 4,635,269
Operating expenses:			
Personnel services	87,717	225,611	313,328
Contractual services	1,646,621	14,294	1,660,915
Supplies	642,504	18,261	660,765
Utilities	297,323	21,027	318,350
Depreciation	704,618	30,041	734,659
Total operating expenses	3,378,783	309,234	3,688,017
Operating income	882,263	64,989	947,252
Nonoperating revenues (expenses):			
Sales tax	924,453	den.	924,453
Interest revenue	39,842	1,336	41,178
Interest expense	(491,232)	-	(491,232)
Total nonoperating revenue (expenses)	473,063	1,336	474,399
Income before contributions and transfers	1,355,326	66,325	1,421,651
Capital contributions	57,503	-	57,503
Transfers in	2,523	-	2,523
Transfers out	(525,250)	(87,500)	(612,750)
Change in net assets	890,102	(21,175)	868,927
Total net assets, beginning of year as previously			
stated	6,297,259	208,325	6,505,584
Prior period adjustment	163,861		163,861
Total net assets, beginning of year as restated	6,461,120	208,325	6,669,445
Total net assets, ending	\$ 7,351,222	\$ 187,150	\$ 7,538,372

# STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

Year Ended December 31, 2005

	Major Fund Water/Wastewater	Non-Major Fund Refuse	Total
Cash flows from operating activities:			
Receipts from customers	\$ 4,193,120	\$ 366,461	\$ 4,559,581
Payments to suppliers	(2,539,313)	(53,291)	(2,592,604)
Payments to employees	(36,937)	(225,448)	(262,385)
Net cash provided by operating activities	1,616,870	87,722	1,704,592
Cash flows from noncapital financing activities:			
Transfers to other funds	(525,250)	(87,500)	(612,750)
Transfers from other funds	2,523		2,523
Net cash used in noncapital financing activities	(522,727)	(87,500)	(610,227)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(277,167)	-	(277,167)
Principal paid on general obligation debt	(785,000)	<b>+</b>	(785,000)
Payment on capital lease	(29,662)	_	(29,662)
Receipt of sales tax	929,253	-	929,253
Interest paid on general obligation debt	(493,303)	-	(493,303)
Net cash used in capital and related financing activities	(655,879)	. <del></del>	(655,879)
Cash flows from investing activities: Interest received	. 39,842	1,336	41,178
Net increase in cash and cash equivalents	478,106	1,558	479,664
Cash and cash equivalents, January 1	762,786	41,803	804,589
Cash and cash equivalents, December 31	\$ 1,240,892	\$ 43,361	\$ 1,284,253

# STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Continued)

Year Ended December 31, 2005

		Major Fund er/Wastewater	 Major Fund Refuse		Total
Reconciliation of operating income to net cash provided by operating activities:			·		
Operating income	\$.	882,263	\$ 64,989	\$	947,252
Adjustments to reconcile operating income to net cash	•	•	•		•
provided by operating activities:					
Items not requiring cash:					
Depreciation expense		704,618	30,041		734,659
Changes in:					
Accounts receivable		(67,926)	(7,762)		(75,688)
Accounts payable		47,135	291		47,426
Accrued compensated absences		46,581	(563)		46,018
Accrued payroll		4,199	 726		4,925
Net cash provided by operating activities	\$	1,616,870	\$ 87,722	<u>\$</u>	1,704,592

### Noncash capital financing activities:

Contributions of capital assets of \$ 57,503 were acquired in the water/wastewater fund from other governmental funds.

The water/wastewater fund borrowed \$ 195,662 under two capital leases. A down payment of \$ 29,662 was made during the year on one of the capital leases.

# STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

December 31, 2005

	•	Ager	icy Funds
Assets: Cash and cash equivalents	- -	\$	248,404
Liabilities: Due to others	_	\$	248,404